



## **MANAGEMENT INFORMATION CIRCULAR**

**ANNUAL MEETING**

**OF SHAREHOLDERS**

**TO BE HELD ON MAY 1, 1997**

**CALGARY, ALBERTA**

**February 20, 1997**







B. F. MacNeill  
*President & Chief Executive Officer*

February 20, 1997

Dear Shareholder:

You are invited to attend the Annual Meeting of shareholders to be held at 1:30 p.m. on May 1, 1997 in the Ballroom of The Metropolitan Centre, 333 Fourth Avenue S.W., Calgary, Alberta, Canada. I hope you will be able to attend. If you are unable to attend in person I urge you to **sign and return the Form of Proxy** in the envelope provided. Your vote is important.

A special welcome is extended to the new holders of approximately 2.6 million common shares issued under The Plan of Arrangement of December 9, 1996, who received these shares and the appropriate amount of cash in exchange for their shares of The Consumers' Gas Company Ltd.


The items of business to be dealt with are listed in the attached Notice of Annual Meeting of Shareholders.

The Dividend Reinvestment and Share Purchase Plan introduced three years ago continues to grow in popularity. The Plan provides an efficient and cost effective way for you to increase your investment in the Corporation. It enables you to invest your cash dividends in common shares at a discount to the market price, or acquire additional shares through optional cash payments. In either case, you will not pay brokerage commissions or any other costs associated with administering the Plan. If you wish to obtain additional information, please complete the postage paid tear-out request card printed in the Annual Report to Shareholders and a booklet, more fully describing the features of the Plan, will be mailed to you.

Yours truly,

A handwritten signature in black ink, appearing to read "Brian MacNeill", written over a horizontal line.

BRIAN F. MACNEILL  
President & Chief Executive Officer



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**IPL ENERGY INC.**  
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

The Annual Meeting (the "Meeting") of holders of common shares (the "IPL Shares") of IPL Energy Inc. ("IPL" or the "Corporation") will be held in the Ballroom of The Metropolitan Centre, 333 Fourth Avenue S.W., Calgary, Alberta on May 1, 1997 at 1:30 p.m. (Calgary time) for the purposes of:

1. Receiving the Directors' Report to Shareholders, the Consolidated Financial Statements and the Report of the Auditors, for the fiscal year ended December 31, 1996;
2. Electing Directors for the ensuing year;
3. Appointing the Auditors; and
4. Considering such other matters as may properly come before the Meeting or any adjournment thereof.

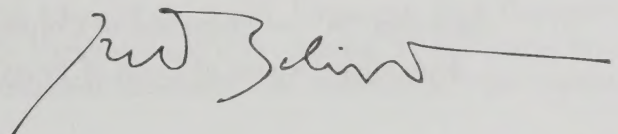
Only holders of record of IPL Shares at the close of business on Tuesday, March 18, 1997 will be entitled to vote in respect of the matters to be voted on at the Meeting or any adjournment thereof, except that a person who has acquired IPL Shares subsequent to such record date will be entitled to vote such shares upon establishing that such person owns such shares and upon making a written request to that effect, not later than 10 days preceding the date of the Meeting, to the office of the Corporate Secretary of IPL at the registered office of the Corporation at Suite 2900, Canada Trust Tower, 421-7th Avenue S.W., Calgary, Alberta, T2P 4K9.

Your vote is important regardless of the number of IPL Shares you own. Shareholders who are unable to attend the Meeting in person are asked to **complete, sign, date and return the enclosed form of proxy** relating to the IPL Shares held by them in the postpaid envelope provided for that purpose for use at the Meeting.

To be used at the Meeting, a proxy must be deposited with The R-M Trust Company at one of its principal corporate trust offices in Calgary, Halifax, Montreal, Regina, Toronto, Vancouver or Winnipeg, the addresses of which are listed on the back of the Circular, at any time up to 4:00 p.m. (local time) on the last business day preceding the day of the Meeting (or any adjournment of the Meeting) or with the Chair of the Meeting prior to the commencement of the Meeting on the day of the Meeting or on the day of any adjournment of the Meeting.

DATED at Calgary, Alberta, this 20th day of February, 1997.

By Order of the Board



MEL F. BELICH, Q.C.  
Senior Vice President, General Counsel  
& Corporate Secretary

# IPL ENERGY INC.

## MANAGEMENT INFORMATION CIRCULAR

### TABLE OF CONTENTS

	<u>Page</u>
General Information .....	1
Annual Meeting Business .....	1
Share Capital and Principal Holders Thereof .....	1
Board of Directors and Board Committees .....	1
Election of Directors .....	2
Remuneration of Directors .....	3
Executive Compensation .....	5
Composition of the Human Resources & Compensation Committee .....	6
Report on Executive Compensation .....	6
Performance Graph .....	9
Indebtedness of Directors, Executives and Senior Officers .....	13
Liability Insurance of Directors and Officers .....	13
Appointment of Auditors .....	13
Financial Statements .....	14
Transfer Agents and Registrars .....	14
Appointment of Proxy and Discretionary Authority .....	14
Discretionary Authority of Proxy .....	14
Revocation of Proxy .....	15
Solicitation of Proxies .....	15
Corporate Governance .....	15
Shareholder Proposals for Next Meeting .....	15
Approval by the Board of Directors .....	15
Certificate of Officers .....	16
Appendix "A" — Statement of Corporate Governance Practices .....	A-1
Regarding Deposit of Form of Proxy: Canada and United States .....	B-1



# **IPL ENERGY INC.**

## **MANAGEMENT INFORMATION CIRCULAR**

### **GENERAL INFORMATION**

**This Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies by and on behalf of the Management of IPL Energy Inc. ("IPL" or the "Corporation") and its Board of Directors (the "Board"). The accompanying form of proxy ("Proxy Form") is for use at the Annual Meeting of the Shareholders to be held on Thursday, May 1, 1997 and at any adjournment thereof (the "Meeting").**

All dollar amounts set forth in this Circular are in Canadian dollars, unless otherwise indicated.

It is anticipated that this Circular and the accompanying Proxy Form will be mailed to Shareholders on or about March 19, 1997. Unless otherwise stated, information contained in this Circular is given as at February 20, 1997. The principal executive and registered office of the Corporation is located at Suite 2900, Canada Trust Tower, 421-7th Avenue S.W., Calgary, Alberta, T2P 4K9, and the Corporation's telephone number is (403) 231-3900. The solicitation will be primarily by mail but proxies may also be solicited personally or by telephone by employees of the Corporation (see "Solicitation of Proxies").

### **ANNUAL MEETING BUSINESS**

#### **SHARE CAPITAL AND PRINCIPAL HOLDERS THEREOF**

The authorized share capital of IPL consists of an unlimited number of common shares (the "IPL Shares") and an unlimited number of preference shares. As at February 20, 1997, IPL had issued and outstanding 67,502,980 IPL Shares held by approximately 10,157 holders of record. No preference shares have been issued. Each IPL Share entitles the holder thereof to one vote at the Meeting. Holders of record of IPL Shares at the close of business on March 18, 1997 will be entitled to vote at the Meeting.

There is no single holder known to the Corporation, who beneficially owns, directly or indirectly, or exercises control or direction over, in excess of 5% of the outstanding IPL Shares.

#### **BOARD OF DIRECTORS AND BOARD COMMITTEES**

As at the date of this Circular, the current Directors of the Corporation are: J. Lorne Braithwaite; William A. Dimma; E. Susan Evans; F. William Fitzpatrick; Richard L. George; Louis D. Hyndman; Brian F. MacNeill; Robert W. Martin; Earl H. Orser and Donald J. Taylor, Chair of the Board of Directors.

IPL does not have an executive committee of its Board of Directors. There were 12 meetings of the Board of Directors in 1996 and 13 meetings in 1995.

IPL is required by law to have an Audit Committee. The Chair of the Audit, Finance & Risk Committee is F.W. Fitzpatrick and the other members are E.S. Evans, L.D. Hyndman and R.W. Martin. The principal function of the Audit, Finance & Risk Committee is to review IPL's financial statements and recommend their approval or otherwise to the Board of Directors.

IPL has an Environment, Health & Safety Committee of which R.W. Martin is Chair and the other members are R.L. George, L.D. Hyndman and E.H. Orser. The principal functions of the Environment, Health & Safety Committee are to monitor and make recommendations with respect to the environment, health and safety policies, practices and procedures of IPL and its subsidiaries.

IPL has a Governance Committee of which E.H. Orser is Chair and other the members are J.L. Braithwaite, W.A. Dimma and D.J. Taylor. The principal function of the Governance Committee is to review and make recommendations regarding policies and procedures relating to the governance of the Corporation by the Board of Directors.

IPL also has a Human Resources & Compensation Committee (see "Composition of the Human Resources & Compensation Committee").



## ELECTION OF DIRECTORS

The Articles of the Corporation provide that the number of its Directors shall be such number, neither more than 15 nor less than 1, as the Board of Directors may from time to time determine. The IPL Governance Committee acts as the nominating committee. The Board of Directors, by resolution dated May 2, 1996, has established the size of the Board of Directors at 10 Directors.

### Individuals Proposed To Be Nominated

The following are the names of the 10 individuals proposed to be nominated for election as Directors at the Meeting (all of whom have consented to stand for election). The ages, other positions and offices with IPL, the present principal occupation and the principal occupations during the five preceding years, the year in which each was first elected a Director and the number of IPL Shares beneficially owned or over which control or direction is exercised, by each of them, as at February 20, 1997 is set out below. Each Director elected will hold office as a Director of IPL from the date of the Meeting until the close of the next annual meeting of Shareholders or until his or her successor is duly elected, unless that Director's office is vacated.

<u>Name, Age and Principal Occupation or Employment</u>	<u>Positions Held With the Corporation</u>	<u>Year First Became a Director</u>	<u>IPL Shares<sup>(2)</sup></u>
J. LORNE BRAITHWAITE, 55 ..... President & Chief Executive Officer, Cambridge Shopping Centres Limited (developer and manager of regional retail shopping malls in Canada).	Director	1989 <sup>(1)</sup>	1,563
WILLIAM A. DIMMA, 68 ..... Company Director; prior to 1994, Deputy Chair and Director, Royal LePage Limited (real estate and management services).	Director	1984 <sup>(1)</sup>	1,590
E. SUSAN EVANS, Q.C., 51 ..... Company Director; prior to August, 1993, Vice President Law and Corporate Affairs & Corporate Secretary of Encor Inc. (oil and gas exploration company).	Director	1996	1,985
F. WILLIAM FITZPATRICK, 64 ..... Company Director.	Director	1984 <sup>(1)</sup>	5,489
RICHARD L. GEORGE, 46 ..... President and Chief Executive Officer of Suncor Inc. (integrated oil and gas company) <sup>(3)</sup> .	Director	1996	1,593
LOUIS D. HYNDMAN, Q.C., 61 ..... Senior Partner, Field Atkinson Perraton, Barristers and Solicitors.	Director	1993	1,937 <sup>(5)</sup>
BRIAN F. MACNEILL, 57 ..... President & Chief Executive Officer of the Corporation since 1992; Chair & Chief Executive Officer of Interprovincial Pipe Line Inc. since 1994; prior thereto, President & Chief Executive Officer of Interprovincial Pipe Line Inc. since 1991.	Director, President & Chief Executive Officer	1991 <sup>(1)</sup>	74,759 <sup>(4)</sup>



<u>Name, Age and Principal Occupation or Employment</u>	<u>Positions Held With the Corporation</u>	<u>Year First Became a Director</u>	<u>IPL Shares<sup>(2)</sup></u>
ROBERT W. MARTIN, 60 ..... Chairman of Silcorp Limited (convenience stores) since 1993; Company Director from April, 1992 to 1993; prior to April, 1992, President and Chief Executive Officer, The Consumers' Gas Company Ltd. (natural gas distribution) <sup>(3)</sup> .	Director	1992 <sup>(1)</sup>	6,480
EARL H. ORSER, 68 ..... Chairman, Spar Aerospace Limited and Honorary Chairman, London Life Insurance Company since 1994; prior thereto, Chairman, London Life Insurance Company <sup>(3)</sup> .	Director	1984 <sup>(1)</sup>	2,490
DONALD J. TAYLOR, 62 ..... Chair of the Corporation since 1996; prior thereto, Company Director.	Director	1979 <sup>(1)</sup>	2,052

- (1) Indicates the date on which the individual became a director of Interprovincial Pipe Line Inc., the predecessor parent and now a wholly-owned subsidiary of the Corporation.
- (2) Each nominee for re-election as a Director has advised that he or she has sole voting and investment power as to IPL Shares beneficially owned. No nominee beneficially owns 1% or more of the outstanding IPL Shares. Information as to IPL Shares beneficially owned, directly or indirectly, or over which control or direction is exercised, not being within the knowledge of IPL, has been furnished by the respective persons.
- (3) Prior thereto in senior management or executive capacities with that company or its affiliates.
- (4) Includes authorized but unissued IPL Shares subject to currently exercisable options, which options do not provide voting rights until exercised.
- (5) Includes IPL Shares purchased by Mr. Hyndman on February 25, 1997.

Each of the persons named in the above table was elected a Director of the Corporation by a vote of Shareholders at the annual meeting held on May 2, 1996.

There is no family relationship between any of the current Directors or the individuals proposed to be nominated for election as Directors of IPL.

**Unless specified in a Proxy Form that the IPL Shares represented by the proxy shall be withheld from voting for the election of one or more Directors, it is the intention of the persons designated in the enclosed Proxy Form to vote for the election of the proposed nominees listed, all of whom are now Directors of IPL.**

In the event that any vacancies occur in the slate of management nominees, the discretionary authority conferred by the proxies appointing the nominees designated in the enclosed Proxy Form will be exercised to vote the IPL Shares represented by such proxies for the election of any other person or persons nominated by management. The Corporation has no reason to anticipate any such occurrence.

## REMUNERATION OF DIRECTORS

Directors' fees are paid to Directors who are not officers of the Corporation, as well as to the Chair of the Board of Directors, who is a non-executive officer.

For membership on the Board of Directors and on Committees of the Board, Directors are paid retainer and meeting fees. The Board of Directors annual membership retainer is \$15,000, consisting of \$12,000 cash and \$3,000 paid in the stock equivalent of IPL Shares. The shares have a value based on the weighted average of the trading price of IPL Shares on The Toronto Stock Exchange for the five trading days immediately preceding the date of payment (the "Stock Equivalent"). The annual Committee membership retainer consists of the Stock Equivalent



of \$3,000. Board and Committee meeting fees are \$1,000 cash per meeting. Payment of a \$500 fee per meeting is made to a Director who travels out of the Director's Province of residence to a meeting site. The Chair of the Board is paid an annual retainer of \$75,000 cash. The Chair of each Committee is paid an annual retainer of \$2,000 cash. The Board has the discretion to determine annually the guidelines setting forth the level of IPL Share ownership by each Director in respect of a minimum level of voluntary share ownership to be achieved within a designated period. In order to assist each Director with the share ownership program, the Corporation offers a one-time interest-free loan to a maximum of \$50,000. The Corporation provides an annual retention bonus stock grant to each Director of one IPL Share for each five IPL Shares held by the Director for a minimum period of three years.

The following table sets forth the compensation paid to all Directors and all officers, as a group, in the year ended December 31, 1996:

	Fees	Remuneration	Total
REMUNERATION OF DIRECTORS AS DIRECTORS..... Number of Directors: 10 Body Corporate incurring expense: <i>IPL Energy Inc.</i>	\$453,753	\$ —	\$ 453,753
REMUNERATION OF OFFICERS AS OFFICERS <sup>(1)</sup> ..... Number of Officers: 12 <sup>(2)</sup> Body Corporate incurring expense: <i>IPL Energy Inc.</i> <sup>(3)</sup>	—	\$4,309,312	\$4,309,312
Total.....	\$453,753	\$4,309,312	\$4,763,065

(1) Remuneration of officers as reported in this table consists of salaries and direct cash compensation.

(2) Includes the 12 current executive officers, and excludes the one non-executive officer of the Corporation, the Chair of the Board.

(3) Other than one officer who is paid by The Consumers' Gas Company Ltd., one who is paid by Interprovincial, and one who was paid for part of the year by IPL Energy (U.S.A.) Inc.

As of December 31, 1996, there were outstanding options to purchase 691,775 IPL Shares, of which options to purchase 422,940 IPL Shares were held by officers of the Corporation as a group. The plan pursuant to which stock options are granted does not permit the grant of stock options to purchase IPL Shares to Directors except in their capacity as officers. Consequently no Director other than B.F. MacNeill holds stock options.

The purpose of the Director compensation system is to provide a compensation plan for Directors of the Corporation which reflects the responsibilities, commitments and risks accompanying board membership in a manner which is consistent with and will advance the interests of the Corporation and total return to shareholders as recommended by external independent consultants.



## EXECUTIVE COMPENSATION

The following table sets forth the annual, long-term and other compensation paid or granted by the Corporation and its subsidiaries for the three financial years ended December 31, 1996 to the individuals who were, at December 31, 1996, the President & Chief Executive Officer and the four other executive officers of the Corporation and its subsidiaries with the highest salary and bonus compensation in the 1996 financial year (the “Named Executive Officers”).

### SUMMARY COMPENSATION TABLE<sup>(1)</sup>

Name and Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation			All Other Compensation (\$) <sup>(4)</sup>
		Salary (\$)	Other Annual Compensation — Bonus (\$) <sup>(2)</sup>	Awards		Payouts	
				Options/SARs Granted (#) <sup>(3)</sup>	Restricted Shares/Units Value (\$)	LTIP Payouts (\$)	
B.F. MacNeill	1996	491,667	430,000	10,400	—	—	24,583
President & Chief	1995	450,000	305,000	28,000	—	—	22,500
Executive Officer	1994	375,000	180,000	22,000	—	—	18,750
IPL Energy Inc.							
R.D. Munkley	1996	325,000	225,000	4,500	54,108 <sup>(5)</sup>	171,500 <sup>(6)</sup>	15,995 <sup>(7)</sup>
President & Chief	1995	300,000	115,000	5,000	39,984 <sup>(5)</sup>	—	12,998 <sup>(7)</sup>
Executive Officer	1994	130,000	100,000	5,000	—	—	3,250 <sup>(7)</sup>
The Consumers' Gas Company Ltd.							
P.D. Daniel	1996	269,167	165,000	4,000	—	—	13,458
President & Chief	1995	240,000	175,000	10,000	—	—	12,000
Executive Officer	1994	202,667	63,000	8,000	—	—	10,134
Interprovincial Pipe Line Inc.							
D.P. Truswell	1996	255,833	150,000	3,800	—	—	12,792
Senior Vice President &	1995	235,000	150,000	10,000	—	—	11,750
Chief Financial Officer	1994	206,331	66,000	8,000	—	—	10,317
IPL Energy Inc.							
R.H.B. Sangster <sup>(8)</sup>	1996	97,917	130,000	3,600	—	—	4,896
Senior Vice President		131,250*	—	—	—	—	6,563*
Corporate Development	1995	225,000*	75,000*	9,000	—	—	7,500*
IPL Energy Inc.	1994	196,000*	55,000*	7,500	—	—	7,500*

- (1) All dollar amounts refer to Canadian dollars except those amounts identified by an asterisk (\*), which are expressed in United States dollars. The noon rate of exchange for the conversion of United States dollars into Canadian dollars on December 31, 1996 as reported by the Bank of Canada was \$1.3696 (Cdn. \$1.00 = US \$0.7301).
- (2) Commencing in 1996, under the Incentive Compensation Plan, the lesser of the specified target bonus or actual bonus paid is included in the calculation of pension entitlement for each individual.
- (3) Each option entitles the holder to acquire the indicated number of IPL Shares. Commencing in 1996, to the extent dividends are paid on the IPL Shares during the term of unexercised options, the holder of such option is awarded Restricted Stock Units (“RSU’s”). Particulars of the stock options and RSU’s are provided under the heading “Stock Options”.
- (4) The Corporation makes contributions under the Employee Savings Plan, a savings plan to which Canadian employees of IPL may contribute up to 5% of their base salary depending upon years of service, with employee contributions matched by the Corporation. IPL contributions are used to purchase IPL Shares at market value and, in respect of employee contributions, as employee investment alternatives, employees may select from among five designated funds and IPL Shares. United States dollar amounts reflect IPL Energy (U.S.A.) Inc. contributions to its 401(k) Plan. The value of each Named Executive Officer’s perquisites and other personal benefits did not exceed the lesser of (i) \$50,000 and (ii) 10% of the Named Executive Officer’s total annual salary and bonus.
- (5) The number of Consumers Gas RSU’s awarded, were based on a percentage of R.D. Munkley’s base salary divided by the average price of a common share of Consumers Gas during its fiscal years ended September 30, calculated on the basis of the actual trading prices from the previous October 1 to September 30 periods. The value of RSU’s awarded were based on the closing price of Consumers Gas common shares on the date of the grants.

<u>Date of Grant</u>	<u>RSU's Awarded</u>	<u>Value Per Unit</u>
January 31, 1996 .....	2,700	\$20.04
February 2, 1995 .....	2,499	\$16.00
July 1, 1994 .....	—	\$17.00.

- (6) Payout is from the Consumers Gas RSU Plan which was terminated October 11, 1996. R.D. Munkley received 7,256 matured Units valued at an October 10, 1996 trading price for Consumers Gas common shares of \$22.79 for a total consideration of \$171,500 of which half, \$85,750, was issued as 3,763 Consumers Gas common shares. See "Report on Executive Compensation — Restricted Stock Unit Plan".
- (7) Represented in part by value added to previously granted RSU's, from "reinvestment" of dividend equivalents and in part by the Consumers Gas Stock Purchase and Savings Plan under which all employees of Consumers Gas, including R.D. Munkley, may make contributions of up to 5% of base salary with 50% of the employee's contribution being matched by Consumers Gas. Employees were able to elect to invest their contributions to the Stock Purchase and Savings Plan in Consumers Gas shares or in an interest bearing account or in a combination of the foregoing. Contributions made by Consumers Gas were invested in common shares of Consumers Gas. RSU's were fully vested and paid out on Plan termination.
- (8) R.H.B. Sangster was employed by IPL Energy (U.S.A.) prior to his transfer to the Corporation on July 1, 1996. The amounts under "All Other Compensation" reflects IPL Energy (U.S.A.)'s contributions to its 401(k) Plan before that date and the Corporation's contributions to the Employee Savings Plan after that date.

## COMPOSITION OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE

The following Directors served as members of the Corporation's Human Resources & Compensation Committee during the financial year ended December 31, 1996: H.G. MacNeill, R.W. Martin, W.A. Dimma (Chair), J.L. Braithwaite, F.W. Fitzpatrick and D.J. Taylor. The first three individuals served until May 2, 1996 and the latter four members served since their appointments at the Annual and Special Meeting of Shareholders on May 2, 1996. No member is or has been an officer, former officer or employee of the Corporation or any of its subsidiaries or has had any relationship with the Corporation except as a Director, other than H.G. MacNeill who was a non-executive officer who held the office of Chair of the Board and D.J. Taylor who is a non-executive officer holding the office of Chair of the Board. Other than as described in "Indebtedness of Directors, Executives and Senior Officers" (on page 13) no member of the Human Resources & Compensation Committee was indebted to the Corporation or any of its subsidiaries or had any material interest, or has any associate with a material interest, direct or indirect, in any actual or proposed transaction in the 1996 fiscal year that materially affected or would materially affect the Corporation or any of its subsidiaries.

## REPORT ON EXECUTIVE COMPENSATION

The Corporation's executive compensation program is administered by the Human Resources & Compensation Committee (the "Committee"). As part of its mandate, the Committee approves the appointment and remuneration of the Corporation's senior officers, including the Corporation's Named Executive Officers named in the Summary Compensation Table. The Committee is also responsible for reviewing the Corporation's compensation policies and guidelines generally. The Committee met four times during the fiscal year ended December 31, 1996. It is the objective of the Committee to ensure that the compensation of senior executives is sufficiently competitive to attract and retain highly qualified executives and to link incentive compensation to performance and shareholder value. The executive compensation program of the Corporation is comprised of three major components: base salaries, a short-term incentive program and a long-term incentive plan. The executive compensation program of Consumers Gas includes base salary, an annual incentive plan and included a restricted stock unit plan, which was terminated October 11, 1996.

### Base Salaries

In determining the remuneration of senior officers of the Corporation, the Committee makes use of formal assessments, market comparisons and advice from independent external compensation consultants. The Committee gives consideration to the Corporation's long-term interests and financial objectives as well as to qualitative aspects of the individual performance and achievements of its senior officers as demonstrated by leadership ability, major project responsibility and contributions to the Corporation's industry and community development activities.

Salaries for Named Executive Officers are reviewed annually based on corporate and personal performance and on individual levels of responsibility. The Committee submits for the approval of the Board of Directors its recommendation as to the salary of the President & Chief Executive Officer. The Committee considers and, if thought fit, approves salaries recommended by the President & Chief Executive Officer for the other Named



Executive Officers of the Corporation. The Management Resources Committee of Consumers Gas determined the annual compensation for R.D. Munkley for the fiscal year ended September 30, 1996.

### **Short-Term Incentive Program**

The Corporation's new "Incentive Compensation Plan" ("ICP") was approved in March, 1996 by the Board of Directors. The ICP replaces previous bonus plans in place for participating executives and is intended to provide such executives with an incentive to perform above the median of comparative corporations, measured against financial and operating performance targets for the past year and also against total shareholder return (share price appreciation and dividends paid) over a relative three-year average period. The opportunity to earn a bonus is directly linked to base salary and value added to the Corporation.

Corporate performance targets are established by the Board while each of the Corporation's business units establishes specific measurable targets approved by the President & Chief Executive Officer in conjunction with the Committee. Executive bonus opportunities are established with reference to office held, expressed as a percentage of base salary, and are adjusted in relation to the achievement of such pre-determined targets. A further adjustment is applied based on the Corporation's relative three-year total shareholder return performance. In administering the ICP, the Committee may, in its judgement, vary bonuses payable to participants if the application of the adjustments confers unintended results. The bonus for the Chief Executive Officer is recommended by the Committee for approval by the Board while bonuses for the other Named Executive Officers are reviewed by the Committee on the recommendation of the President & Chief Executive Officer. A corresponding determination was made by the Board of Directors of Consumers Gas for R.D. Munkley.

For 1996, total shareholder return was 32.6%. For the three year period 1994-1996, total shareholder return was 49.6% and for the five year period 1992-1996 it was 115.9%. On a consolidated corporate basis, share performance was in excess of the TSE 300 Composite Index, the TSE Pipelines Index and the TSE Utilities Index by as much as 42.6% over the past five years. In the opinion of the Committee, ICP payments were therefore warranted and reflected value received by the shareholders.

### **Long-Term Incentive Plan**

A new "Incentive Stock Option Plan (1996)" ("ISO") was approved by shareholders in May, 1996. The purpose of the ISO plan is to provide participating executives with the opportunity to acquire an increased proprietary interest in the Corporation, in a manner which is consistent with and will advance the interests of the Corporation, by motivating and rewarding such executives in relation to the Corporation's long-term performance, growth and total shareholder return. Recognizing that the payment of dividends is included in total shareholder return performance, in conjunction with a grant of stock options, participating executives may be granted "Restricted Stock Units" ("RSU's"), expressed in shares, being the common share equivalent of the amount of dividends that would have been paid on the total number of shares the executive holds as unexercised options pursuant to the ISO plan and the total number of RSU's standing to the credit of the executive as at the record date for payment of such dividends.

Awards of stock options and RSU's are generally considered annually by the Committee on the recommendation of the President & Chief Executive Officer and by the Committee alone concerning the President & Chief Executive Officer. Each stock option awarded entitles the recipient to acquire a specified number of IPL Shares at an exercise price equal to 100% of the last sale price of the IPL Shares on The Toronto Stock Exchange on the trading day prior to the date of the grant. In connection with the determination of the number of stock options and RSU's that may be granted, the Committee further considers a target ratio of the current IPL Share price to base salary plus individual performance and potential.

During 1996, stock options to acquire 87,200 IPL Shares at \$40.00 per share and a corresponding number of RSU's were awarded to 46 eligible employees including the Named Executive Officers.

### **Restricted Stock Unit Plan — Consumers Gas**

The purpose of the Restricted Stock Unit Plan (the "Plan") of Consumers Gas was to provide executives with a competitive long term capital accumulation opportunity and to encourage and facilitate the accumulation and retention of the shares of Consumers Gas by senior management of Consumers Gas. Under the Plan, the Consumers Gas Management Resources Committee recommended to the Board of Directors of Consumers Gas an

annual grant of units related to a particular executive's position and the ability of the executive to contribute to the profitability of Consumers Gas. As a general guideline, the number of units awarded was equal to approximately 15% of the executive's base salary divided by the average price of a common share of Consumers Gas during the last month of its fiscal year. The units also carried the right to receive dividend equivalents in the form of additional Restricted Stock Units ("Units") and these additional Units matured contemporaneously with the original grant of Units. Units matured on the third anniversary of the date of grant. On maturity, treasury shares of Consumers Gas were issued equal to one half of the number of Units.

Coincidental with the Corporation's arrangement involving the purchase of the minority interest in Consumers Gas, the Board of Consumers Gas passed resolutions to cause the rights of participants in respect of the Units outstanding under the Plan to mature early. The Board terminated the Plan on October 11, 1996. As a result, in respect of the Consumers Gas common shares held, participants in the Plan were able to vote and to exercise the election generally available to Consumers Gas shareholders under the arrangement.

R.D. Munkley received 7,526 matured Units valued at an October 10, 1996 trading price for Consumers Gas common shares of \$22.79, for a total consideration of \$171,500 of which half, \$85,750, was issued as 3,763 Consumers Gas common shares.

#### **Compensation of the President & Chief Executive Officer**

Based on B.F. MacNeill's contributions to the overall performance of the Corporation and on comparative and relative levels of compensation for chief executive officers within the oil and gas/mining/utilities industries, the Committee recommended, and the Board approved, an increase effective March 1, 1996 in Mr. MacNeill's base salary from \$450,000 to \$500,000 per annum.

Based on the Committee's assessment of Mr. MacNeill's achievement of individual objectives, corporate financial and operating performance and total shareholder return, the Committee also recommended, and the Board approved, the award to Mr. MacNeill of a cash bonus of \$430,000 and stock options to purchase, in the aggregate, 10,400 IPL Shares at \$40.00 per share. Mr. MacNeill concurrently received 10,400 RSU's.

The "Report on Executive Compensation" is presented by the Human Resources and Compensation Committee of the Board of Directors:

William A. Dimma, Chair  
J. Lorne Braithwaite  
F. William Fitzpatrick  
Donald J. Taylor

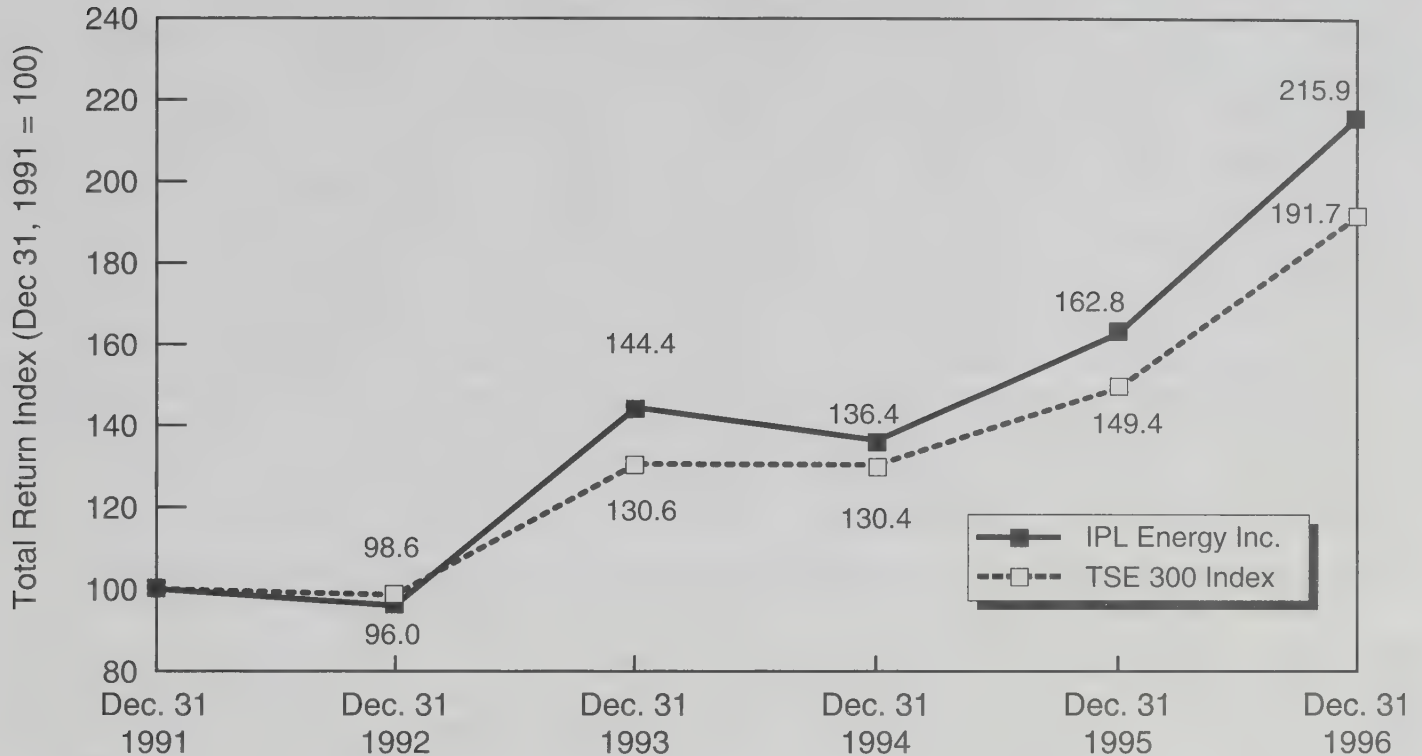


## PERFORMANCE GRAPH

The following chart compares IPL's five-year cumulative total shareholder return (assuming reinvestment of dividends) for \$100 invested in IPL Shares on December 31, 1991 with the cumulative total return of the TSE 300 Composite Index for the five most recently completed financial years.

### IPL Energy Inc. vs. TSE 300

December 31, 1996



## EMPLOYMENT CONTRACTS

The Corporation has entered into employment contracts with each Named Executive Officer of the Corporation other than R.D. Munkley. Each contract provides that should the Named Executive Officer experience involuntary termination of employment (other than for cause) or constructive dismissal, subject to the terms of the contract, he will be paid 200% of the sum of: (i) twelve times the gross monthly salary paid to the executive in the last full month of employment; and (ii) the gross amount of the last bonus paid; and will be provided a two year extension of certain employee benefits specified in the contract. For these purposes, unless consented to by the executive, "constructive dismissal" is deemed to occur when the executive ceases to be an officer of the Corporation or an officer of a successor to a material portion of the assets of the Corporation; incurs a material decrease in title, position, responsibility, powers or reporting relationships; or incurs a reduction in annual salary, excluding bonuses.

## STOCK OPTIONS

The two tables which follow set forth information concerning options under the Incentive Stock Option Plan (1996) relating to the Named Executive Officers during the financial year ended December 31, 1996.

### OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR<sup>(1)</sup>

Name	Shares Underlying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in 1996	Exercise or Base Price (\$/Share)	Market Value of Shares Underlying Options/SARs at Date of Grant (\$/Share)	Expiration Date
B.F. MacNeill	10,400	11.9	40.00	40.00	November 4, 2006
R.D. Munkley	4,500	5.2	40.00	40.00	November 4, 2006
P.D. Daniel	4,000	4.6	40.00	40.00	November 4, 2006
D.P. Truswell	3,800	4.4	40.00	40.00	November 4, 2006
R.H.B. Sangster	3,600	4.1	40.00	40.00	November 4, 2006

- (1) The options noted above were each granted on November 4, 1996. The holder may exercise the options to acquire the indicated number of IPL Shares. Each option becomes exercisable as to the first 25% after one year from the date of grant, as to the second 25% after two years from the date of grant, as to the third 25% after three years from the date of grant and as to the final 25% after four years from the date of grant. Corresponding RSU's, being the share equivalent of the dividends that would otherwise be payable on unexercised options and granted pursuant to the Incentive Stock Option Plan (1996), and RSU's already standing to the credit of the holder, mature on December 31 following the third anniversary of grant.

### AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs At Fiscal Year-End <sup>(1)</sup>		Value of Unexercised In-The-Money Options/SARs at Fiscal Year-End <sup>(2)</sup>	
			Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
B.F. MacNeill	—	—	63,800	49,800	852,108	347,205
R.D. Munkley	—	—	3,750	10,750	36,375	54,375
P.D. Daniel	—	—	25,700	18,500	349,123	128,025
D.P. Truswell	—	—	18,140	18,300	221,603	128,025
R.H.B. Sangster	1,000	23,900	25,200	17,100	344,586	119,888

- (1) Options issued in financial years 1987 through 1996 and not exercised on or before December 31, 1996, in respect of indicated numbers of IPL Shares.
- (2) The difference between the closing price of IPL Shares on The Toronto Stock Exchange on December 29, 1996 (\$39.95) and the exercise or base price of unexercised options to acquire IPL Shares.



## PENSION PLAN TABLE

Remuneration <sup>(1)</sup>	Years of Credited Service					
	10	15	20	25	30	35
\$100,000	\$16,000	\$ 24,000	\$ 32,000	\$ 40,000	\$ 48,000	\$ 56,000
125,000	20,000	30,000	40,000	50,000	60,000	70,000
150,000	24,000	36,000	48,000	60,000	72,000	84,000
200,000	32,000	48,000	64,000	80,000	96,000	112,000
250,000	40,000	60,000	80,000	100,000	120,000	140,000
300,000	48,000	72,000	96,000	120,000	144,000	168,000
350,000	56,000	84,000	112,000	140,000	168,000	196,000
400,000	64,000	96,000	128,000	160,000	192,000	224,000
450,000	72,000	108,000	144,000	180,000	216,000	252,000
500,000	80,000	120,000	160,000	200,000	240,000	280,000
550,000	88,000	132,000	176,000	220,000	264,000	308,000
600,000	96,000	144,000	192,000	240,000	288,000	336,000

(1) “Remuneration” refers to annual salary and that portion of annual bonus deemed by the Human Resources and Compensation Committee for inclusion in final average earnings.

The foregoing Pension Plan Table specifies the benefits payable under the Corporation’s trusted non-contributory registered pension plans, one applicable for Canada and one for the United States (together the “Pension Plan”), which covers all eligible employees including the Named Executive Officers of the Corporation except R.D. Munkley who is covered by the pension plan of Consumers Gas, described separately below. The Pension Plan provides for employees in Canada a yearly pension payable after age 60 in the normal form (50% joint and last survivor) equal to (a) 1.6% of the sum of (i) the average of the participant’s highest annual salary during three consecutive years out of the last ten of credited service and (ii) the average of the participant’s three highest annual performance bonus periods, represented in each period by the lesser of target bonus or actual bonus paid, in respect of the last five years of credited service, multiplied by (b) the number of credited years of service. This pension is offset, after age 60, by 50% of the participant’s Canada Pension Plan (“CPP”) benefit prorated by years in which the participant has both credited service and CPP coverage and is further reduced, unless the participant is at least 55 years of age with 30 or more years of credited service, by 5% per year for each year retirement precedes age 60. For employees in the United States, the only material difference is the integration of benefits with U.S. Social Security benefits rather than CPP benefits.

Assuming the Named Executive Officers (other than Mr. Munkley) remain in the employ of the Corporation until the normal retirement age of 65, then upon retirement at that age Mr. MacNeill will have attained 36.4 years of credited service, Mr. Daniel will have attained 28.3 years of credited service, Mr. Truswell will have attained 39.6 years of credited service, and Mr. Sangster will have attained 38.5 years of credited service.

## CONSUMERS GAS PENSION PLAN

R.D. Munkley participates in the registered contributory defined benefit pension plan of Consumers Gas (the “CG Basic Plan”) which covers all Consumers Gas employees. Mr. Munkley has also been designated to participate in the non-contributory Supplementary Executive Retirement Plan of Consumers Gas (“SERP”). The benefit chart set out below illustrates the total pension entitlements inclusive of the CG Basic Plan and SERP entitlements, and assumes retirement after the eligibility requirements for an unreduced pension have been satisfied. CG Basic Plan and SERP benefits are automatically indexed annually by 55% of the increase in the Consumer Price Index to a maximum of 5%.

CG Basic Plan members must contribute 5% of pensionable earnings, less 1.8% of pensionable earnings which are subject to CPP contributions, subject to a maximum annual contribution of \$3,500. Credited service and contributions cease after 35 years.

Benefits are calculated on the average of the best 60 consecutive months' earnings in the last 10 years prior to retirement. The pension is payable for the member's lifetime with a minimum guarantee of 60 monthly payments. Other optional forms are available on an actuarially equivalent basis. An unreduced pension is payable after age 58 provided the aggregate of the member's age and years of service exceeds 90, or after age 62 and completion of 20 years of service.

For purposes of computing the total retirement benefit of R.D. Munkley, who is a member of SERP, credited service as of December 31, 1996 was 26.6 years.

#### CONSUMERS GAS PENSION PLAN TABLE

Remuneration <sup>(1)</sup>	Years of Credited Service				
	15	20	25	30	35
\$125,000	\$ 37,500	\$ 50,000	\$ 62,500	\$ 75,000	\$ 87,500
150,000	45,000	60,000	75,000	90,000	105,000
175,000	52,500	70,000	87,500	105,000	122,500
200,000	60,000	80,000	100,000	120,000	140,000
225,000	67,500	90,000	112,500	135,000	157,500
250,000	75,000	100,000	125,000	150,000	175,000
275,000	82,500	110,000	137,500	165,000	192,500
300,000	90,000	120,000	150,000	180,000	210,000
400,000	120,000	160,000	200,000	240,000	280,000

(1) "Remuneration" refers to annual salary plus 50% of bonuses for purposes of the Consumers Gas Basic Plan and SERP.



## INDEBTEDNESS OF DIRECTORS, EXECUTIVES AND SENIOR OFFICERS

Except as outlined below, other than routine indebtedness, no current or former director or officer of the Corporation or its subsidiaries, and no associate of any such person, was indebted to the Corporation or any of its subsidiaries at any time since January 1, 1996. Each Director other than B.F. MacNeill, is indebted to the Corporation with respect to an interest free loan of \$50,000 to each individual Director, or in aggregate to all Directors of \$450,000, advanced under the provisions of the Directors' compensation system to facilitate the purchase of IPL Shares.

**TABLE OF INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND  
SENIOR OFFICERS UNDER SECURITIES PURCHASE PROGRAMS**

Name and Principal Position	Involvement of Issuer or Subsidiary	Largest Amount Outstanding During 1996 (\$)	Amount Outstanding as at February 20, 1997 (\$)	Financially Assisted Securities Purchases During 1996 (#)	Security for Indebtedness
Braithwaite, J.L., Director	Lender	50,000	50,000	1274	(1)
Dimma, W.A., Director	Lender	50,000	50,000	1245	(1)
Evans, E.S., Director	Lender	50,000	50,000	1274	(1)
Fitzpatrick, F.W., Director	Lender	50,000	50,000	1274	(1)
George, R.L., Director	Lender	50,000	50,000	1274	(1)
Hyndman, L.D.	Lender	0	50,000 <sup>(2)</sup>	1222	(1)
Martin, R.W., Director	Lender	50,000	50,000	1274	(1)
Orser, E.H., Director	Lender	50,000	50,000	1245	(1)
Taylor, D.J., Chair of Board	Lender	50,000	50,000	1274	(1)

(1) Each Director has provided, in accordance with the Directors' compensation plan, a five year term promissory note, and the shares purchased with proceeds of the loan are held in trust by The R-M Trust Company as security for repayment of the loan.

(2) Mr. L.D. Hyndman participated, in accordance with the Directors' compensation plan, in an interest free loan and has purchased IPL Shares with the proceeds of the loan on February 25, 1997.

## LIABILITY INSURANCE OF DIRECTORS AND OFFICERS

The Corporation maintains insurance for the benefit of its Directors and officers, and the Directors and officers of its subsidiaries, as a group, in respect of the performance by them of the duties of their office. The amount of primary insurance coverage is U.S. \$25,000,000 with a U.S. \$1,000,000 deductible for each claim. In addition, IPL maintains a first level of excess insurance for such purpose in the amount of U.S. \$15,000,000 and a second level of excess insurance in the amount of Cdn. \$60,000,000. Each insurance policy has a policy period September 30, 1996 — September 30, 1999. The insurance premiums for the first policy period September 30, 1996 — September 30, 1997, all paid by the Corporation, were Cdn. \$147,927 for the primary coverage and Cdn. \$48,725 for the first level of excess coverage and Cdn. \$72,220 for the second level of excess coverage.

## APPOINTMENT OF AUDITORS

Price Waterhouse have been auditors of Interprovincial Pipe Line Inc. since 1949 and of the Corporation since 1992, and their address is Suite 1200, 425-1st Street S.W., Calgary, Alberta. **Unless specified in a Proxy Form that the IPL Shares represented by the proxy shall be withheld from voting for the appointment of auditors, it is the intention of the persons designated in the enclosed Proxy Form to vote for the re-appointment of Price Waterhouse as auditors of the Corporation to hold office until the close of the next Annual Meeting of Shareholders.** Representatives of Price Waterhouse are expected to be present at the Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

## FINANCIAL STATEMENTS

The Directors will place before the Meeting, the Directors' Report to Shareholders and the Consolidated Financial Statements and Auditors' Report for the financial year ended December 31, 1996. The 1996 Annual Report to Shareholders, which contains the Consolidated Financial Statements and the Auditors' Report, are included in the general mailing of this Circular to Shareholders which is expected to be made on or about March 19, 1997. Additional copies of the Annual Report are available from the office of the Corporate Secretary of the Corporation.

## TRANSFER AGENTS AND REGISTRARS

The Transfer Agent and Registrar of IPL Shares is The R-M Trust Company with corporate trust offices at Calgary, Halifax, Montreal, Regina, Toronto, Vancouver and Winnipeg and the Co-Transfer Agent is ChaseMellon Shareholder Services L.L.C., New York, New York (see the list of mailing addresses listed at the back of this Circular on page B-1).

## APPOINTMENT OF PROXY AND DISCRETIONARY AUTHORITY

Shareholders who are unable to be present at the Meeting may vote through the use of proxies. If you are a Shareholder, you should complete, date, sign and return the enclosed Proxy Form. By doing so, you can participate in the Meeting through the person or persons named on the Proxy Form. Please indicate the way you wish to vote on each item of business and your vote will be cast accordingly. **If you do not indicate a preference, the IPL Shares represented by the enclosed Proxy Form, if the same is executed in favour of the Management nominees named in the Proxy Form and deposited as provided in the Notice of Meeting, will be voted in favour of all matters identified in such Notice of Meeting.**

A Shareholder has the right to appoint a person other than the Management nominees designated on the accompanying Proxy Form by crossing out the printed names and inserting the name of the person he or she wishes to act as proxy in the blank space provided, or by completing another proxy form. Proxy Forms which appoint persons other than the Management nominees whose names are printed on the Proxy Form should be submitted to the Corporation and the person so appointed should be notified. The person acting as proxy need not be a Shareholder.

## DISCRETIONARY AUTHORITY OF PROXY

The enclosed Proxy Form confers discretionary authority upon the proxy nominees with respect to amendments or variations to the matters identified in the Notice of Annual Meeting and other matters which may properly come before the Meeting. The Board of Directors and Management do not know of any such matter which may be presented for consideration at the Meeting. However, if any such matter is presented, the proxy will be voted thereon in accordance with the best judgment of the Management nominees named in the Proxy Form.

To be effective for use at the Meeting, a Proxy Form must be returned to The R-M Trust Company at one of its principal corporate trust offices in Calgary, Halifax, Montreal, Regina, Toronto, Vancouver and Winnipeg at or before 4:00 p.m. (local time) on the last business day preceding the day of the Meeting (or any adjournment of the Meeting), or with the Chair of the Meeting prior to commencement of the Meeting on the day of the Meeting or the day of any adjournment of the Meeting.

Only holders of IPL Shares of record at the close of business on March 18, 1997 will be entitled to vote in respect of the matters to be voted upon at the Meeting, or any adjournment thereof. In certain circumstances a person who has acquired IPL Shares subsequent to March 18, 1997 may be entitled to vote the IPL Shares, upon establishing that such person owns such IPL Shares, and making a written request to that effect no later than 10 days before the Meeting to the Corporate Secretary of IPL at the registered office of IPL, Suite 2900, Canada Trust Tower, 421-7th Avenue S.W., Calgary, Alberta, T2P 4K9.

With respect to each matter properly before the Meeting, a Shareholder shall be entitled to one vote for each IPL Share registered in the name of such Shareholder.

On any ballot that may be called for at the Meeting, all IPL Shares in respect of which the person named in a Proxy Form has been appointed to act must be voted for, or withheld from voting, or voted against, in accordance



with the specification of the Shareholder signing such Proxy Form. If no such specification is made, then the IPL Shares may be voted in accordance with the best judgment of the person named in the Proxy Form.

### REVOCATION OF PROXY

Proxies given by Shareholders may be revoked at any time prior to their use, by instrument in writing executed by the Shareholder, or by his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation, Suite 2900, Canada Trust Tower, 421-7th Avenue S.W., Calgary, Alberta, T2P 4K9, at any time up to and including 4:00 p.m. (local time) on the last business day preceding the day of the Meeting or any adjournment thereof, or with the Chair of the Meeting on the day of the Meeting or any adjournment thereof, or in any other manner permitted by law, including, without limitation, personal attendance at the Meeting.

If the instrument of revocation is deposited with the Chair on the date of the Meeting or any adjournment thereof, the instrument will not be effective with respect to any matter on which a vote has already been cast pursuant to the proxy to be revoked.

### SOLICITATION OF PROXIES

The cost of this solicitation of proxies will be borne by the Corporation. In addition to solicitation by mail, the officers, Directors and employees of the Corporation may, without additional compensation, solicit proxies personally or by telephone.

### CORPORATE GOVERNANCE

In December 1994, The Toronto Stock Exchange Committee on Corporate Governance in Canada issued its report containing guidelines for corporate governance (the "Guidelines"). Subsequently, The Toronto Stock Exchange, and the Montreal Exchange, upon which the IPL Shares are listed, adopted disclosure requirements relating to corporate governance for all listed corporations incorporated in Canada with fiscal years on and after June 30, 1995.

In 1995, the Board of Directors of the Corporation created a committee to examine governance issues and to make recommendations to the Board of Directors. The Governance Committee is generally mandated to be responsible for governance issues and ensures that the Board functions independently of management.

Appendix "A" lists the Guidelines and the Corporation's comments on its alignment with the Guidelines. The Guidelines are not requirements and full alignment is not obligatory. The Corporation is in full compliance and alignment with the Guidelines.

### SHAREHOLDER PROPOSALS FOR NEXT MEETING

The *Canada Business Corporations Act*, which governs the Corporation, provides that shareholder proposals must be received by January 31, 1998 to be considered for inclusion in the management information circular and the form of proxy for the 1998 annual meeting of Shareholders, which is expected to be held on or about May 1, 1998.

### APPROVAL BY THE BOARD OF DIRECTORS

The contents and mailing to Shareholders of this Circular have been approved by the Board of Directors. No person is authorized to give any information or to make any representations in respect of the matters addressed herein other than those contained in this Circular and, if given or made, such information must not be relied upon as having been authorized.

DATED the 20th day of February, 1997.



MEL F. BELICH, Q.C.  
Senior Vice President, General Counsel  
& Corporate Secretary

### CERTIFICATE

The foregoing contains no untrue statement of material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

DATED the 20th day of February, 1997.



BRIAN F. MACNEILL  
President & Chief Executive Officer



DEREK P. TRUSWELL  
Senior Vice President & Chief Financial Officer



## APPENDIX “A”

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

<u>TSE/ME Corporate Governance Committee Guideline</u>	<u>Does IPL Energy Align?</u>	<u>Comments</u>
1. Board should explicitly assume responsibility for stewardship of the Corporation, and specifically for:		
a. adoption of a strategic planning process	Yes	<p>a.1 Several sessions per year, including a working meeting with senior management, are set aside for strategic planning.</p> <p>a.2 The Board reviews, approves and provides guidance in respect of the strategic planning process. The Board also reviews the progress of strategic planning as it occurs and approves the completed plan.</p>
b. identification of principal business risks and implementation of risk management systems	Yes	<p>b.1 The Corporation has in place a comprehensive risk assessment system which incorporates relevant risk assessment information from the major corporate businesses — liquids transportation, gas distribution and corporate. The risk assessment process analyzes existing and emerging risks within defined categories, with corresponding mitigating factors. Common measurement and assessment criterion enable the ranking of risks from diversified businesses on a consolidated basis in accordance with a range of loss consequences, and over a stated time horizon.</p> <p>b.2 The Board and the Audit, Finance &amp; Risk Committee specifically identify principal risks of the Corporation on an annual basis, monitor the Corporation’s risk management program and identify risks in conjunction with internal and external auditors. Other Board Committees implement and monitor systems put in place to address applicable risks. For example, the Environment, Health &amp; Safety Committee has established an environmental risk management system, and monitors its operations.</p>
c. succession planning, appointing, training and monitoring senior management	Yes	<p>c.1 The Human Resources &amp; Compensation Committee monitors the performance of senior management and reports to the Board on organizational structure and succession planning matters at least annually. The Committee reviews and monitors executive development programs.</p> <p>c.2 One objective of the President &amp; Chief Executive Officer (“CEO”), as mandated by the Board, is to ensure that succession planning is in place. The succession planning review encompasses an assessment of potential candidates for succession to senior management and the specific identification of potential candidates to fill any vacancy in a senior position.</p>
d. communications policy	Yes	<p>d.1 The Board has established structures to ensure effective communications between the Corporation, its stakeholders and the public. These structures include communications by the CEO and by the Corporate Secretarial, Safety &amp; Environment, Investor Relations, Financial Services and Government &amp; Public Affairs Departments.</p>
e. integrity of internal control and management information systems	Yes	<p>e.1 The Board satisfies itself that internal control systems and management information systems are in place and operating effectively. Each of the following Committees is responsible to review and advise the Board on systems and effectiveness in the noted areas:</p> <ul style="list-style-type: none"> <li>— Human Resources &amp; Compensation: employment, succession and remuneration.</li> <li>— Environment, Health &amp; Safety: environmental, health and safety compliance.</li> <li>— Audit, Finance &amp; Risk: accounting, internal control and management information systems, compliance of financial reporting with accounting principles and overview of financial plans.</li> <li>— Governance: membership and duties of the Board and Board Committees and overview of the effectiveness of management’s interaction with and responsiveness to the Board.</li> </ul>

<u>TSE/ME Corporate Governance Committee Guideline</u>	<u>Does IPL Energy Align?</u>	<u>Comments</u>
2. Majority of directors should be “unrelated” (free from conflicting interest)	Yes	D.J. Taylor (non-executive Chair of the Board) and B.F. MacNeill (President & CEO) are the only Board members who are “related” to the Corporation.
3. Disclose for each director whether he or she is related, and how that conclusion was reached	Yes	<p>D.J. Taylor — Related — is a non-management Director and Chair of the Board of the Corporation</p> <p>B.F. MacNeill — Related — is President &amp; CEO of the Corporation</p> <p>None of the remaining directors or their associates have:</p> <ul style="list-style-type: none"> <li>— worked for the Corporation.</li> <li>— material contracts with the Corporation.</li> <li>— received remuneration from the Corporation in excess of directors’ fees.</li> </ul> <p>J.L. Braithwaite    Unrelated  W.A. Dimma        Unrelated  E.S. Evans         Unrelated  F.W. Fitzpatrick   Unrelated  R.L. George        Unrelated  L.D. Hyndman      Unrelated  R.W. Martin        Unrelated  E.H. Orser          Unrelated</p>
4. a. Appoint a Committee responsible for appointment/assessment of directors	Yes	<p>The Governance Committee has the mandate to:</p> <ul style="list-style-type: none"> <li>— recommend candidates for election as a director.</li> <li>— recommend candidates for fill vacancies on the Board.</li> <li>— annually review credentials of nominees for re-election to the Board.</li> <li>— ensure qualifications of directors as required by the Corporation or the Board are maintained.</li> <li>— assess the performance of directors and of the Board as a whole.</li> </ul>
b. The Board Committee appointed should be composed exclusively of non-management directors, the majority of whom are unrelated	Yes	— see response to item 3, above. The Governance Committee is composed exclusively of non-management directors.
5. Implement a process for assessing the effectiveness of the Board, its Committees and the contribution of individual directors	Yes	<p>The Governance Committee has established a process to:</p> <ul style="list-style-type: none"> <li>— monitor the quality of and recommend changes concerning, the relationship between and among the Board, its Committees and management.</li> <li>— assess the performance of the Board as a whole and its Committees.</li> <li>— assess the contribution of directors.</li> <li>— review policies and procedures in order to be assured that matters are satisfactorily delegated to Committees and/or management.</li> <li>— recommend appointment of directors to the various Board Committees.</li> <li>— set terms of office, maximum age limits and recommend minimum voluntary levels of share holdings in the Corporation for directors.</li> <li>— review and make recommendations regarding the powers and responsibilities of the Board to be delegated, including the following: <ul style="list-style-type: none"> <li>• assess the Committee structures (including a determination of which Committees of directors are appropriate); assess Committee membership numbers; review mandates of Committees; make recommendations to the Board on these and other Committee matters; and nominate for consideration of the Board, persons to be members of Committees.</li> </ul> </li> <li>— see response to item 4, above.</li> </ul>
6. Provide orientation and education programs for new directors	Yes	The Corporate Secretary maintains a “Director’s Manual” for new and existing directors which is updated when appropriate and which informs Directors of appropriate Corporate operations, results, terms of reference for the Board, Board Committees and Board officers, as well as public disclosure filings. New Board members receive a directors’ orientation and all directors are provided with ongoing Corporate education, including site tours.



<u>TSE/ME Corporate Governance Committee Guideline</u>	<u>Does IPL Energy Align?</u>	<u>Comments</u>
		Presentations and materials are provided to the Board on relevant aspects of Corporate activities and directors' duties and responsibilities. Board and Committee meetings are held at locations of major subsidiary offices and plant sites from time to time, giving the directors additional insight into the Corporation's businesses.
7. Consider reducing size of Board, with a view to improving effectiveness and decision-making	Yes (Nominees for election as Directors in 1996: 10; in 1997: 10)	The Board must have a sufficient number of directors to carry out its duties efficiently, while presenting a diversity of views and experience. The Corporation has a number of Committees. These requirements define the current number of directors. The Board reviews the contributions of the directors, and considers whether the current size of the Board promotes effectiveness and efficiency. The Board believes it does.
8. Review the adequacy and form of compensation of directors in light of risks and responsibilities	Yes	The Governance Committee is mandated to review and recommend to the Board the adequacy and form of remuneration of directors. The Committee considers time commitments, comparative fees, responsibilities and risks, and utilizes an external independent consultant to make recommendations in respect of directors' remuneration. Directors are remunerated in cash and stock.
9. a. Committees should be generally composed of outside directors; and	Yes	Board Committees are composed solely of outside directors.
b. Majority of Committee members should be unrelated	Yes	Board Committees are composed solely of non-management unrelated directors, other than the Human Resources & Compensation and Governance Committees which include D.J. Taylor as a member — see response to item 3, above.
10. Appoint a Committee responsible for approach and response to corporate governance issues	Yes	<p>The Governance Committee is mandated to be responsible for and make recommendations to the Board concerning the governance of the Corporation. Included in the Governance Committee mandate is the responsibility to:</p> <ul style="list-style-type: none"> <li>— review the mandates of the various Board Committees and recommend changes.</li> <li>— recommend nomination of directors to Board Committees.</li> <li>— as an objective, to nominate a balanced mix of Board members with the experience/expertise to provide value to the Corporation and its shareholders in respect of its existing businesses and strategic plans. The Governance Committee guidelines include criteria to add directors who possess relevant and/or senior executive expertise or other qualifications, including an intent to achieve an appropriate mix of men, women and minority representation on the Board. The guidelines are used to achieve the strategic objectives of ensuring that the Board of Directors is composed of individuals who will best serve the interests of the Corporation and add value for shareholders.</li> <li>— develop the Corporation's approach to governance issues, set corporate governance guidelines for the Board, and assume responsibility for the Corporation's response to those guidelines.</li> <li>— define and recommend to the Board, the role of the Board and the general division of duties between the Board and the CEO and, in conjunction with the Compensation Committee, define the CEO's responsibilities.</li> <li>— recommend the size of the Board and the size of its Committees.</li> <li>— set guidelines for determination of conflicts of interest and review situations if the guidelines may have been breached.</li> <li>— perform corporate governance functions identified elsewhere in this appendix.</li> </ul>



<u>TSE/ME Corporate Governance Committee Guideline</u>	<u>Does IPL Energy Align?</u>	<u>Comments</u>
11. a. Define limits to management's responsibilities by developing mandates for: (i) the Board	Yes	<p>The Board of Directors has plenary power to manage and supervise the management of the business and affairs of the Corporation. Descriptions of Board responsibilities can be found in the By-laws of the Corporation, in the mandates of the Committees of the Board, and more generally in the Canada Business Corporations Act. The Governance Committee has also developed a mandate statement for the Board as a whole which has been adopted by the Board.</p> <p>The Governance Committee defines and recommends to the Board the role of the Board and the general division of duties as between the Board and the CEO.</p>
(ii) the CEO	Yes	<p>The general authority guidelines of the Corporation and the Corporation's strategic plan objectives constitute a mandate for the CEO. These objectives include the general mandate to maximize shareholder value. In addition, the Board has established specific terms of reference and a review process for the CEO.</p>
b. Board should approve CEO's corporate objectives	Yes	<p>The Governance Committee and the Human Resources &amp; Compensation Committee approve the CEO's and management's objectives on an annual basis. These objectives are reviewed by the full Board on an ongoing basis and are taken into account in the strategic plan.</p>
12. Establish procedures to enable the Board to function independently of management	Yes	<p>The Board meets in-camera and independently of management often and whenever appropriate.</p> <p>The Governance Committee ensures that the Board functions independently of management. Members of the Governance Committee are independent (non-management) directors — see response to items 3 and 9, above.</p>
13. a. Establish an Audit Committee with a specifically defined mandate	Yes	<p>The Audit, Finance &amp; Risk Committee has a specific mandate which includes the roles and responsibilities of the Committee.</p> <p>The Corporation's Audit, Finance &amp; Risk Committee is mandated, among other things, to:</p> <ul style="list-style-type: none"> <li>— monitor audit functions and the preparation of financial statements.</li> <li>— have direct communication, if desired, with internal and external auditors.</li> <li>— have overview responsibility for management reporting on internal controls.</li> <li>— meet with the outside auditors independently of management.</li> <li>— approve press releases on financial results.</li> <li>— review all prospectuses, material change reports and the annual information form.</li> <li>— oversee the financial statements of the Corporation's pension plans.</li> </ul>
b. all members of the Audit Committee should be non-management directors	Yes	<p>The Audit, Finance &amp; Risk Committee members are independent (non-management) unrelated directors — see response to items 3 and 9, above.</p>
14. Implement a system to enable individual directors to engage outside advisors, at the Corporation's expense, in appropriate circumstances.	Yes	<p>Individual directors can engage outside advisers at the expense of the Corporation with the authorization of the Board or on the recommendation of the Governance Committee.</p>



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